

STAMBAUGH CEMETERY ASSOCIATION

Financial Report
With Supplemental Information
Prepared in Accordance with GASB 34

DECEMBER 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Stambaugh Cemetery Association	County Iron
Audit Date 12/31/04	Opinion Date 6/10/05	Date Accountant Report Submitted to State: 6/22/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

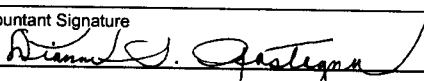
Certified Public Accountant (Firm Name) DS ROSTAGNO, CPA, P.C.			
Street Address 101 WEST MAPLE STREET		City IRON RIVER	State MI
Accountant Signature 		ZIP 49935	Date 6/22/05

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS.....	12
STATEMENT OF NET ASSETS	13
STATEMENT OF ACTIVITIES	14
STATEMENT OF FUND NET ASSET-ENTERPRISE FUND	15
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS-ENTERPRISE FUND....	16
STATEMENT OF CASH FLOWS-ENTERPRISE FUND	17
NOTES TO THE FINANCIAL STATEMENTS	19
OTHER SUPPLEMENTAL INFORMATION.....	54
COMPARATIVE BALANCE SHEET - CEMETERY FUND	55
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS- CEMETERY FUND	56
STATEMENT OF CASH FLOWS-CEMETERY FUND	57
STATEMENT OF EXPENSES-CEMETERY FUND	59
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE	60

INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

**101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042**

Honorable Members of the
Board of Control
Stambaugh Cemetery Association
Gaastra, Michigan 49927

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities and each major fund of the **Stambaugh Cemetery Association**, as of and for the year ended December 31, 2004, which collectively comprise the Association's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of business-type activities and each major fund of the **Stambaugh Cemetery Association** at December 31, 2004, and the respective changes in financial position and cash flows thereof for the fiscal year ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2005 on our consideration of the **Stambaugh Cemetery Association's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 7 thru 11 is not a required part of the basic financial statements but is supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Stambaugh Cemetery Association's** basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

June 10, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Stambaugh Cemetery Association

P.O. Box 218
Gaastra, Michigan 49927
Phone: 906 / 265-3146

The management of the **Stambaugh Cemetery Association** provides this narrative overview and analysis of the financial activities of the **Stambaugh Cemetery Association** for the year ended December 31, 2004. As readers, you are encouraged to read this discussion and analysis in conjunction with the Association's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Association's basic financial statements. The financial section of this report includes management's discussion and analysis and the basic financial statements. Required supplementary information consisting of budgetary comparisons of governmental funds is not applicable. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Association's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements reflect the Association's functions in the Enterprise Fund, which is the only fund of the **Stambaugh Cemetery Association**. This means that the revenues are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). There are no governmental activities.

Fund Financial Statements

The Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. The only fund of the Association is the Cemetery Fund, which is a proprietary fund.

Stambaugh Cemetery Association

P.O. Box 218
Gaastra, Michigan 49927
Phone: 906 / 265-3146

Proprietary Funds

Proprietary Funds provide services for which the Association charges customers a fee. The Association has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Association is used to report the same functions as the business-type activities in the government-wide financial statements. The Cemetery Fund is presented separately in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Supplementary Information

Required supplementary information generally follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the entity's major special revenue funds as presented in the governmental fund financial statements. Since there are no governmental funds, this section has been omitted.

Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Association, assets exceeded liabilities by \$ 83,885 at December 31.

By far, the largest portion of the Association's net assets (approximately 94%) is held in the form of cash and cash equivalents. A very small percentage (approximately 4.9%) of the total net assets are in the form of capital assets. These capital assets are used to provide services to citizens and are not available for future spending. It should also be noted that these assets are free of related debt. At December 31, 2004, the Association reported \$ 4,123 in net capital assets.

External restrictions of the Association's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$ 36,442 may be used to meet the Association's ongoing obligations to citizens and creditors.

Stambaugh Cemetery Association

P.O. Box 218
Gaastra, Michigan 49927
Phone: 906 / 265-3146

Government-wide Financial Analysis (Continued)

The following is a comparative summary of net assets at fiscal year end:

	<u>Primary Government</u>	
	<u>Business-type Activities</u>	
	<u>2004</u>	<u>2003</u>
<u>Assets</u>		
Current and other assets	\$ 80510	\$ 66122
Capital assets, net	<u>4123</u>	<u>3422</u>
Total Assets	84633	69544
<u>Liabilities</u>		
Long-term liabilities	\$ 0	\$ 0
Other liabilities	<u>748</u>	<u>196</u>
Total Liabilities	748	196
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4123	3422
Restricted for Perpetual Care	43320	41950
Unrestricted	<u>36442</u>	<u>23976</u>
Total Net Assets	\$ 83885	\$ 69348

The following represents the comparative changes in net assets for business-type activities for the years ended December 31, 2004 and December 31, 2003:

	<u>Primary Government</u>	
	<u>Business-type Activities</u>	
	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>		
<u>Program Revenues</u>		
Charges for services	\$ 56998	\$ 49994
Capital grants	0	0
Interest and Investment Earnings	<u>1240</u>	<u>1829</u>
Total Revenues	\$ 58238	\$ 51823

Stambaugh Cemetery Association

P.O. Box 218
Gaastra, Michigan 49927
Phone: 906 / 265-3146

Government-wide Financial Analysis (Continued)

<u>EXPENSES</u>	<u>Primary Government</u> <u>Business-type Activities</u>	
	<u>2004</u>	<u>2003</u>
Administration	\$ 2373	\$ 2936
Cemetery Services	40630	37604
Depreciation	698	1328
Total business-type expenses	43701	41868
Increase (Decrease) in net assets	14537	9955
Net Assets, Beginning of Year	69348	59393
Net Assets, End of Year	\$ 83885	\$ 69348

Business-type Activities

Business-type activities increased the Association's net assets by \$ 14,537. Charges for services for the Cemetery activities for the year ended were \$ 56,998 for 2004, compared to \$ 49,994 for 2003.

Total expenses for the Cemetery activities for the year ended were \$ 43,701 in 2004, compared to \$ 41,868 for 2003.

Proprietary Funds

The Association's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Cemetery Fund at year-end were \$ 83,885 and \$ 69,348 for 2004 and 2003, respectively. The change in net assets was a gain of \$ 14,537 for 2004 and \$ 9,955 for 2003.

Stambaugh Cemetery Association

P.O. Box 218
Gaastra, Michigan 49927
Phone: 906 / 265-3146

Capital Assets and Debt Administration

Capital Assets

The Association's investment in capital assets, net of accumulated depreciation, for its business-type activities as of December 31 is \$ 4,123, an increase from \$ 3,422 reported in 2003. The investment in capital assets includes machinery and equipment, a licensed vehicle, and computer equipment. There are no infrastructure assets.

There were no major capital events during the fiscal year ended December 31, 2004. The Association purchased a new lawn mower during 2004, but this was not considered to be a major capital event. Significant savings were achieved by the elimination of a full-time, year-round employee, replacing that position with seasonal, part-time employment and eliminating employee fringe benefits.

Long-term debt

The Association has no long-term debt at December 31, 2004.

Other Economic Factors

The Association has no significant plans or major priorities for 2005.

Requests for Information

This financial report is designed to provide a general overview of the Association's finances for all those with an interest in the Association's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Stambaugh Cemetery Association
P.O. Box 218
Gaastra, Michigan 49927

BASIC FINANCIAL STATEMENTS

STAMBAUGH CEMETERY ASSOCIATION

STATEMENT OF NET ASSETS

DECEMBER 31, 2004

<u>ASSETS</u>	<u>BUSINESS-TYPE ACTIVITIES</u>
<u>Current Assets</u>	
Cash and Cash Equivalents (Note B)	\$79610
Accounts Receivable	900
Total Current Assets	\$80510
<u>Noncurrent Assets</u>	
Capital Assets, Net (Note F)	4123
Total Noncurrent Assets	4123
TOTAL ASSETS	\$84633
<u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accrued Payroll Taxes	748
Total Current Liabilities	748
TOTAL LIABILITIES	\$748
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	4123
Restricted for Perpetual Care	43320
Unrestricted	36442
TOTAL NET ASSETS	<u>\$83885</u>

The notes to the financial statements are an integral part of this report.

STAMBAUGH CEMETERY ASSOCIATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2004

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS BUSINESS- TYPE ACTIVITIES</u>
		<u>CHARGES FOR SERVICE</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
Business-type Activities	\$	\$	\$	\$
Cemetery				
Administration	2373			(2373)
Cemetery services	40630	56998		16368
Depreciation (Unallocated)	698			(698)
Total Business-type Activities	43701	56998	0	13297
 <u>General Revenues:</u>				
Interest and Investment Earnings				1240
Total General Revenues				1240
 CHANGE IN NET ASSETS				 14537
NET ASSETS - BEGINNING OF YEAR				69348
NET ASSETS - END OF YEAR				\$ <u>83885</u>

The notes to the financial statements are an integral part of this report.

STAMBAUGH CEMETERY ASSOCIATION

STATEMENT OF FUND NET ASSET
ENTERPRISE FUND

DECEMBER 31, 2004

	CEMETERY FUND
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash, Unrestricted	\$79610
Accounts Receivable, Net	900
TOTAL CURRENT ASSETS	\$80510
<u>Noncurrent Assets</u>	
Capital Assets :	
Equipment	65999
Less allowance for depreciation	-61876
Total Noncurrent Assets	4123
TOTAL ASSETS	\$84633
<u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accrued Payroll Taxes	748
Total Current Liabilities	748
TOTAL LIABILITIES	\$748
<u>NET ASSETS</u>	
Restricted for Perpetual Care	43320
Unrestricted	40565
TOTAL NET ASSETS	\$83885

The notes to the financial statements are an integral part of this report.

STAMBAUGH CEMETERY ASSOCIATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2004

<u>OPERATING REVENUES</u>	
Assessments to Municipal Units	\$20672
Charges for Services-Grave Openings	26540
Sale of Lots	7960
Perpetual Care	526
Miscellaneous	1300
	<hr/>
Total Operating Revenues	\$56998
 <u>OPERATING EXPENSES</u>	
Personal Services and Benefits	30552
Repairs and Maintenance	1764
Other Supplies and Expenses	8014
Administrative Expenses	2373
Depreciation	698
Miscellaneous	300
	<hr/>
Total Operating Expenses	\$43701
 OPERATING INCOME (LOSS)	 \$13297
 Non-Operating Revenues (Expenses)	
Interest Income	1240
	<hr/>
Total Non-Operating Revenues (Expenses)	1240
 CHANGE IN NET ASSETS	 14537
 NET ASSETS, JANUARY 01	 \$69348
	<hr/>
NET ASSETS, DECEMBER 31	\$83885
	<hr/> <hr/>

The notes to the financial statements are an integral part of this report.

STAMBAUGH CEMETERY ASSOCIATION

STATEMENT OF CASH FLOWS
ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$56998
Other operating revenues	0
Cash payments to employees for services	-25062
Cash payments for goods and services	-17389
Other operating expenses	0
	<hr/>

NET CASH FROM OPERATING ACTIVITIES

\$14547

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	0
Net operating transfers in (out)	0
	<hr/>

**NET CASH FROM NON CAPITAL AND
FINANCING ACTIVITIES**

\$0

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	-1399
Principal payment on long-term bonds	0
Interest paid on long-term bonds	0
Interest and tax expense	0
Proceeds from borrowing	0
Contributed capital grants	0
	<hr/>

**NET CASH USED BY CAPITAL AND RELATED
FINANCING ACTIVITIES**

-\$1399

INVESTING ACTIVITIES

(Increase) decrease in investments	0
Interest Income	1240
	<hr/>

NET CASH FROM INVESTING ACTIVITIES

\$1240

**NET INCREASE (DECREASE) IN CASH AND
CASH EQUIVALENTS**

14388

Cash and Cash Equivalents, Beginning of Year

\$65222

Cash and Cash Equivalents, End of Year

\$79610

The notes to the financial statements are an integral part of this report.

STAMBAUGH CEMETERY ASSOCIATION

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
(CONTINUED)**

YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income	\$13297
Adjustment to reconcile operating income to net cash provided by operating activities :	
. Depreciation and amortization	698
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	0
Increase (Decrease) in accounts payable	0
Increase (Decrease) in accrued expenses	552
Increase (Decrease) in customer deposits	0
	<hr/>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$14547</u></u>

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the **Stambaugh Cemetery Association**, Gaastra, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The **Stambaugh Cemetery Association** was established by the Cities of Caspian, Gaastra, and Stambaugh and the Township of Stambaugh on February 17, 1975. The term of duration was designated to be thirty (30) years.

The purpose of the Association is to acquire, own, improve, enlarge, extend, and operate a cemetery system for residents of the Constituent Municipalities.

The Association operates under a Board of Directors, consisting of two (2) persons appointed by each of the Constituent Municipalities' Controlling Boards.

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

The City of Stambaugh terminated its participation in the Stambaugh Cemetery Association effective June 30, 2000 in conjunction with the consolidation of three municipalities - the Cities of Iron River and Stambaugh and the Village of Mineral Hills. The Association continues to serve the cities of Caspian and Gaastra, and the Township of Stambaugh.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government.

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

There are no blended component units reported for the **Stambaugh Cemetery Association**.

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported.

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED ORGANIZATIONS (Continued)

There are no related organizations to be reported.

BASIS OF PRESENTATION

The Association follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities.

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

***Government-wide financial statements
(Continued)***

This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Statement of Net Assets (Continued)

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Association as a whole) and fund financial statements. The reporting model focus is on both the Association as a whole and the fund financial statement (business-type categories).

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as business type only. In the government-wide Statement of Net Assets, the business-type activities column (a) is presented, and (b) is reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Both government-wide and fund financial statement presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information.

The Association generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Association may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (administration, cemetery services, etc.) that are otherwise being supported by general government revenues (Interest and Investment earnings).

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function relating to the business-type activity. Program revenues include Cemetery assessments to participating municipalities and sale of lots, etc. Other items not properly included among program revenues are reported as general revenues. The Association does not allocate indirect expenses. When applicable, operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

In the fund financial statements, financial transactions and accounts of the Association are organized on the basis of funds.

The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

For reporting purposes, the Cemetery Fund is the major fund.

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide statement of net assets, statement of activities, and the proprietary funds are accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, and financial statement of the Proprietary Fund are presented on the accrual basis of accounting.

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

ENCUMBRANCES

It is the Association's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

CASH AND CASH EQUIVALENTS

The Association pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Association classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

INVENTORIES

Inventories of supplies are expended as received.

RECEIVABLES

User charges for the Proprietary Fund are recorded as receivable when billed. All receivables are reported at their gross value.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

RETAINED EARNINGS

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Association for future expenditures.

\$ 43,320 is reserved for perpetual care of the Cemetery. The interest from these funds can be used for general operations. \$ 40,565 is unreserved and available for the general operation of the Cemetery.

NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS

To the extent the Association's capitalization threshold of \$ 500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

Land Improvements..... 20 years

Equipment..... 5 - 20 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available.

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

POST EMPLOYMENT BENEFITS

The Stambaugh Cemetery Association offers no post-employment benefits.

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CASH, DEPOSITS, AND INVESTMENTS

PRIMARY GOVERNMENT

On December 31, 2004 the carrying value of the Association's deposits (Primary Government) was \$ 79,610 and is comprised of cash and deposits reflected in the following funds:

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (Continued)

<u>Primary Government</u>	
Proprietary Fund	\$ 79610
 Total Primary Government	 \$ 79610

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

Category 1	Deposits which are insured or collateralized with securities held by the Association or by its agent in the Association's name.
------------	---

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Category 2 Deposits which are
 collateralized with
 securities held by
 the pledging financial
 institution's trust
 department or agent in
 the Association's name.

Category 3 Deposits which are
 not collateralized or
 insured.

Based on these levels of risk, the
Association's cash deposits (Primary
Government) are classified as follows:

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	Category 1	Category 2	Category 3	Total
Cash and Deposits	\$ 79610	\$ -0-	\$ -0-	\$ 79610

INVESTMENTS

The Association's investments are categorized below to give an indication of the level of risk assumed at year-end. **Category 1** includes investments that are insured or registered or for which the securities are held by the Association or its agent in the Association's name.

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Association's name. Category 3 includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Association's name.

The Association has no investments, as reflected below:

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Investments	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Association to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE B - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

The Association has adopted an investment policy, allowing for all types of deposits and investments listed above. The Association's deposits and investments are in compliance with its investment policy.

NOTE C - PENSION PLAN

There is no pension plan for the Stambaugh Cemetery Association.

NOTE D - ACCUMULATED FUND DEFICITS

At December 31, 2004, the Association had no retained earnings deficits.

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE E - RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Association.

NOTE F - CAPITAL ASSETS

BUSINESS-TYPE ACTIVITIES

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2004:

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE F - CAPITAL ASSETS (CONTINUED)

<u>BUSINESS-TYPE ACTIVITIES</u>	Balance Dec. 31, 2003	<u>Increases</u>	<u>Decreases</u>	Balance Dec. 31, 2004
<u>Capital Assets Not Being Depreciated</u>				
Land, Easements, and Right of Way	\$ 0	\$ 0	\$ 0	\$ 0
Total Capital Assets Not Being Depreciated	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Capital Assets</u>				
Machinery and Equipment	64600	1399	0	65999
Total Other Cap. Assets	\$ 64600	\$ 1399	\$ 0	\$ 65999
<u>Less Accumulated Depreciation for:</u>				
Machinery and Equipment	(61178)	(698)	0	(61876)
Total Accum. Depreciation	(61178)	(698)	0	(61876)
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 3422	\$ 701	\$ 0	\$ 4123

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE G - LONG-TERM DEBT

There is no long-term debt for the
Stambaugh Cemetery Association.

NOTE H - SEGMENT INFORMATION

Operating Revenues	\$	56998
Depreciation and Amortization Expense		698
Operating Income or (Loss)		13297
Operating Grants, Entitlements, and Shared Revenues		0
Operating Transfers		
In		0
(Out)		0
Tax Revenues		0
Net Income or Loss		14537
Current Capital:		
Contributions		0
Transfers		0

(Continued on page 51)

STAMBAUGH CEMETERY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

DECEMBER 31, 2004

NOTE H - SEGMENT INFORMATION (CONTINUED)

(Continued from previous page)

Property, Plant, and Equipment		
Additions	\$	1399
Deletions		0
Net Working Capital		79762
Total Assets		84633
Bonds and Other Long Term		
Liabilities		
Payable from operating		
Revenues		0
Payable from Other Sources		0
Total Equity	\$	83885

NOTE I - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE I - RELATED PARTY TRANSACTIONS (CONTINUED)

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there are no related party transactions reported in the financial statements.

NOTE J - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.

STAMBAUGH CEMETERY ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2004

NOTE J - SUBSEQUENT EVENTS (CONTINUED)

They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At year ended December 31, 2004 there were no subsequent events that would have a significant affect on the Association's operations.

NOTE K - COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies, the reporting of which would have a material effect on the financial position of the **Stambaugh Cemetery Association**.

OTHER SUPPLEMENTAL INFORMATION

STAMBAUGH CEMETERY ASSOCIATION

COMPARATIVE BALANCE SHEET - CEMETERY FUND

DECEMBER 31, 2004
(With Comparable Totals for 2003)

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Deposits	\$79610	\$65222
Accounts Receivable	900	900
TOTAL CURRENT ASSETS	\$80510	\$66122
FIXED ASSETS		
Building and Equipment	65999	64600
Less Accumulated Depreciation	-61876	-61178
TOTAL FIXED ASSETS	4123	3422
TOTAL ASSETS	<u>\$84633</u>	<u>\$69544</u>
<u>LIABILITIES AND FUND EQUITY</u>		
CURRENT LIABILITIES		
Accrued Taxes	748	196
TOTAL CURRENT LIABILITIES	748	196
TOTAL LIABILITIES	748	\$196
<u>FUND EQUITY</u>		
Retained Earnings		
Appropriated	43320	41950
Unappropriated	40565	27398
TOTAL FUND EQUITY	<u>\$83885</u>	<u>\$69348</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$84633</u>	<u>\$69544</u>

The notes to the financial statements are an integral part of this report.

STAMBAUGH CEMETERY ASSOCIATION

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
CEMETERY FUND**

*YEAR ENDED DECEMBER 31, 2004
(With Comparable Totals for 2003)*

	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>		
Assessments To Municipal Units	\$20672	\$20672
Opening of Graves	26540	24000
Sale of Lots	7960	3800
Miscellaneous Income	526	422
Perpetual Care	<u>1300</u>	<u>1100</u>
TOTAL REVENUES	\$56998	\$49994
<u>EXPENDITURES</u>		
Salaries and Wages	25062	23138
Fringe Benefits	5490	5946
Insurance	3873	4105
Board Meetings	420	540
Materials and Supplies	1043	570
Gas, Oil, Grease	1002	737
Equipment Maintenance and Repair	1740	523
Building Maintenance	24	0
Telephone/Utilities	1851	2085
Legal and Audit	1953	2396
Contract Services	245	0
Miscellaneous	300	500
Depreciation	<u>698</u>	<u>1328</u>
TOTAL EXPENDITURES	\$43701	\$41868
 Operating Income (Loss)	 13297	 8126
<u>NON - OPERATING INCOME</u>		
Interest Revenue	<u>1240</u>	<u>1829</u>
NET INCOME (LOSS)	14537	9955
 RETAINED EARNINGS, JANUARY 1	 \$69348	 \$59393
RETAINED EARNINGS, DECEMBER 31	<u><u>\$83885</u></u>	<u><u>\$69348</u></u>

The notes to the financial statements are an integral part of this report.

STAMBAUGH CEMETERY ASSOCIATION

STATEMENT OF CASH FLOWS - CEMETERY FUND

YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$56998
Other operating revenues	0
Cash payments to employees for services	-25062
Cash payments for goods and services	-17389
Other operating expenses	0
	<hr/>

NET CASH FROM OPERATING ACTIVITIES	\$14547
------------------------------------	---------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	0
Net operating transfers in (out)	0
	<hr/>

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	\$0
---	-----

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	-1399
Principal payment on long-term bonds	0
Interest paid on long-term bonds	0
Interest and tax expense	0
Proceeds from borrowing	0
Contributed capital grants	0
	<hr/>

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-\$1399
--	---------

INVESTING ACTIVITIES

(Increase) decrease in investments	0
Interest Income	1240
	<hr/>

NET CASH FROM INVESTING ACTIVITIES	\$1240
------------------------------------	--------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14388
---	-------

Cash and Cash Equivalents, Beginning of Year	\$65222
--	---------

Cash and Cash Equivalents, End of Year	<u>\$79610</u>
--	----------------

The notes to the financial statements are an integral part of this report.

STAMBAUGH CEMETERY ASSOCIATION

**STATEMENT OF CASH FLOWS - CEMETERY FUND
(CONTINUED)**

YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income	\$13297
Adjustment to reconcile operating income to net cash provided by operating activities :	
. Depreciation and amortization	698
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	0
Increase (Decrease) in accounts payable	0
Increase (Decrease) in accrued expenses	552
Increase (Decrease) in customer deposits	<u>0</u>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$14547</u></u>

The notes to the financial statements are an integral part of this report.

STAMBAUGH CEMETERY ASSOCIATION

STATEMENT OF EXPENSES - CEMETERY FUND

YEAR ENDED DECEMBER 31, 2004
(With Comparable Totals for 2003)

	<u>2004</u>	<u>2003</u>
<u>LEGISLATIVE</u>		
Board Meetings	\$420	\$540
Legal	79	1557
Audit	1874	839
TOTAL LEGISLATIVE	\$2373	\$2936
<u>FINANCIAL ADMINISTRATION</u>		
Salaries and Wages	3600	3600
Fringe Benefits	788	702
Insurance	3294	2767
Supplies	255	154
Printing and Publications	30	38
TOTAL FINANCIAL ADMINISTRATION	\$7967	\$7261
<u>GROUNDS MAINTENANCE</u>		
Wages	21462	19538
Fringe Benefits	4702	6095
Insurance	431	358
Supplies	640	259
Gas and Oil	1002	737
Equipment Maintenance and Repair	1740	524
Contract Services	245	0
TOTAL GROUNDS MAINTENANCE	\$30222	\$27511
<u>CEMETERY GARAGE</u>		
Insurance	148	130
Supplies	118	117
Building Maintenance	24	0
Telephone/Utilities	1851	2085
TOTAL CEMETERY GARAGE	\$2141	\$2332
<u>OTHER EXPENSES</u>		
Other Costs	300	500
Depreciation	698	1328
TOTAL OTHER EXPENSES	\$998	\$1828
TOTAL EXPENSES	\$43701	\$41868

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE**

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Stambaugh Cemetery Association
Gaastra, Michigan 49927

We have audited the financial statements of the business-type activities and each major fund of the **Stambaugh Cemetery Association**, as of and for the year ended December 31, 2004 which collectively comprise the **Stambaugh Cemetery Association's** basic financial statements, and have issued our report thereon dated June 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Stambaugh Cemetery Association's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no such matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Stambaugh Cemetery Association's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

June 10, 2005

DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935

Tel (906) 265-1040 Fax (906) 265-1042

June 10, 2005

Board of Trustees
Stambaugh Cemetery Association
Gaastra, Michigan 49927

I have audited the financial statements of the **Stambaugh Cemetery Association** for the year ended December 31, 2004, and have issued my report thereon dated June 10, 2005. Professional standards require that I provide you with the following information related to the audit:

My Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in my engagement letter dated May 27, 2005, my responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by me.

As part of the audit, I considered the internal control of the **Stambaugh Cemetery Association**. Such considerations were solely for the purpose of determining the audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the **Stambaugh Cemetery Association's** compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application.

Significant Accounting Policies (Continued)

The significant accounting policies used by the **Stambaugh Cemetery Association** are described in the Note to the financial statements. There were no new accounting policies adopted and the application of existing policies was not changed during this year. I noted no transactions entered into by the **Stambaugh Cemetery Association** during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no sensitive estimates affecting the financial statements as presented.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. These adjustments may include those proposed by me but not recorded by the **Stambaugh Cemetery Association** that could potentially cause future financial statements to be materially misstated, even though I have concluded that such adjustments are not material to the current financial statements. I proposed no audit adjustments that could, in my judgment, either individually or in the aggregate, have a significant effect on the **Stambaugh Cemetery Association's** financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of the audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

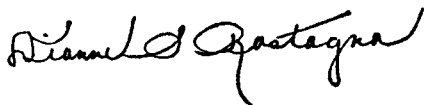
I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the **Stambaugh Cemetery Association's** auditor's. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing the audit.

This information is intended solely for the use of the Board and management of the **Stambaugh Cemetery Association** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.